



# The Real Estate TRENDS

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Number 4

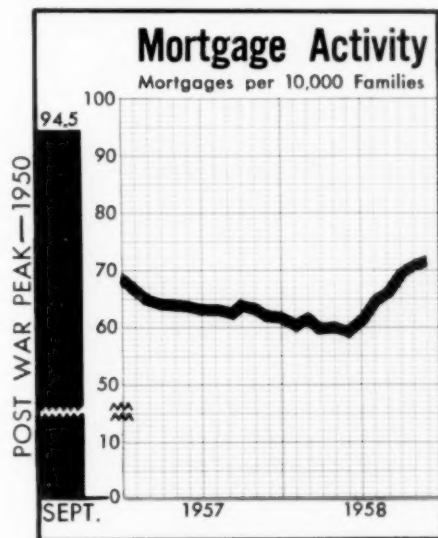
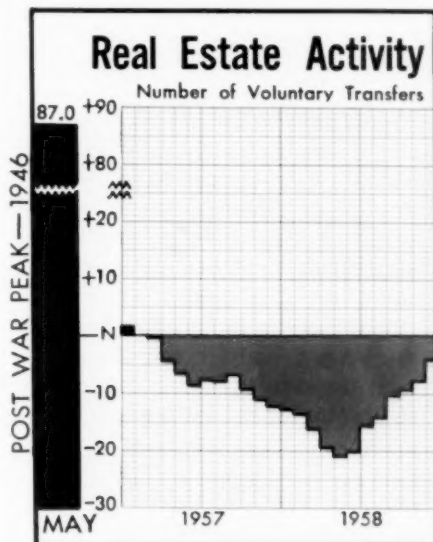
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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

## REAL ESTATE ACTIVITY

After studying the relationship of voluntary transfers of real estate to the number of families it looks very much as if real estate activity during 1959 will be above its present level. The purchase of a piece of real estate is a postponable matter. Transfers do not occur in large quantity when the economic situation is uncertain and any significant increase during the year depends greatly upon the terms of financing. With the outlook for 1959 brighter than it was in 1958, it is not unreasonable to expect that the low point in the readjustment period has been reached and that real estate activity is on the upward trend.

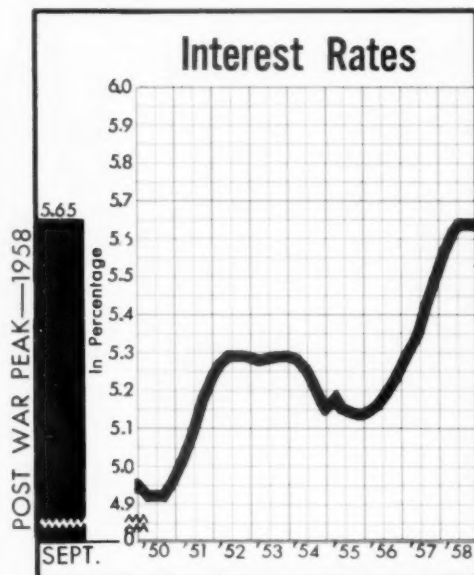
## MORTGAGE ACTIVITY

Mortgage activity, based on the number of mortgages recorded each month per 10,000 families in metropolitan areas, roughly follows the pattern of real estate activity. Since this is true, any large increase in real estate activity in 1959 will be followed by an increase in mortgage activity. In May 1958, mortgage activity reversed its downward trend and has been moving upward ever since.



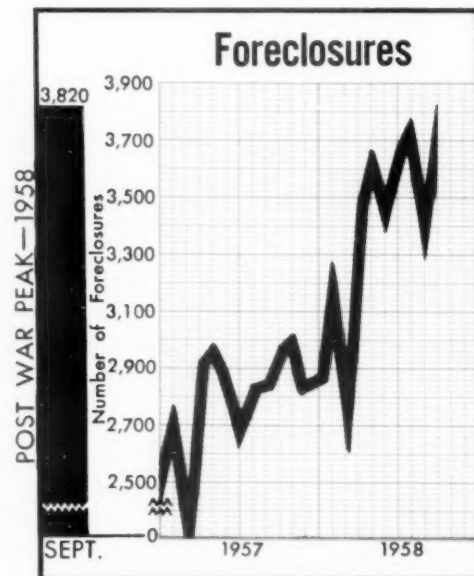
## MORTGAGE INTEREST RATES

Higher mortgage interest rates and tighter credit dominate the 1959 scene. Both industry and Government will be in the market competing heavily against each other for limited amounts of money. Our chart is computed from the interest rates on recorded mortgages in St. Louis. This is slightly lower than the national figures but the percentage fluctuations are very similar. Our chart does not take discounts and points paid to lenders into consideration. The rates shown form an accurate picture of recorded interest rates only. Therefore, the interest charge shown (which does not include discounts) is understated. When the money market is tight, as it is today, discounts in some areas rise to the point of discouraging the home builder and the most significant trend now taking shape is a further tightening of the money market.



## FORECLOSURES

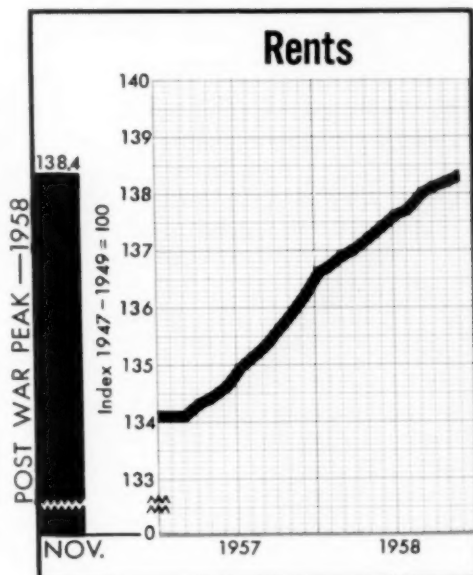
There has been a definite upward trend in the number of nonfarm real estate foreclosures over the past 5 years. Distress actions in the first 9 months of last year totaled 31,625 and represent a 24% rise from the similar period of 1957. Even though the number of foreclosures has been in an upward trend, it is 45% under that for 1940 and is only one-sixth of the 1935 total. We believe the number of foreclosures will continue to increase during 1959, but will not reach dangerous proportions.



## RENTS

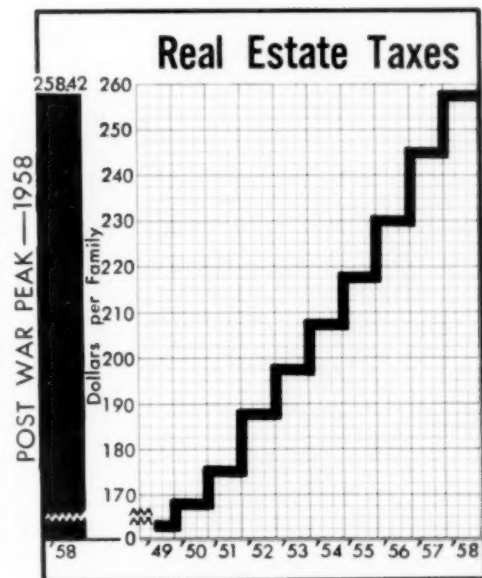
Residential rents are still increasing but at a slower rate. Between 1947 and 1953 they rose on the average of 5.1 points each year. From 1954 through 1957 the rent index increased at the rate of 2.2 points annually and the 1958 figure was 1.6 points above the comparable 1957 period.

The large number of persons reaching marriageable age in the 1960's, together with the rise in the older age brackets, will boost the demand for rental units. This will have a tendency to keep rents up despite the gradual rise in rental vacancy appearing at the present time.



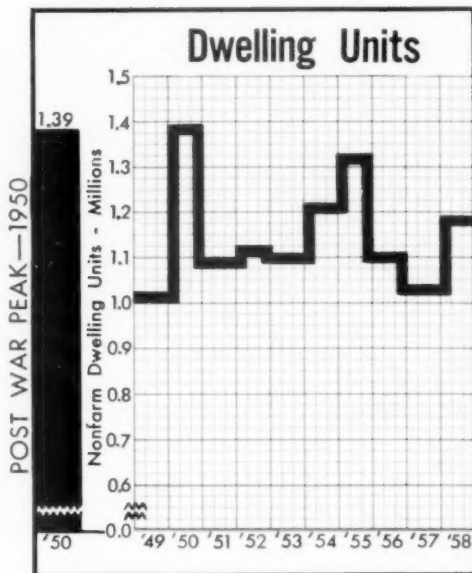
## REAL ESTATE TAXES

The figures for this chart are computed by taking the total dollar real estate tax in all principal cities and dividing it by the total number of families in these cities. At the present time the average real estate tax load per family is \$258.42 or 4.8% more than it was at the close of 1957. In 1945 the real estate tax load was \$130.40 and has increased at the average rate of 5.4% per year since then. With demands on cities to improve their facilities and replace those that have become obsolete, there is no sign of a reduction in real estate taxes in the near future.



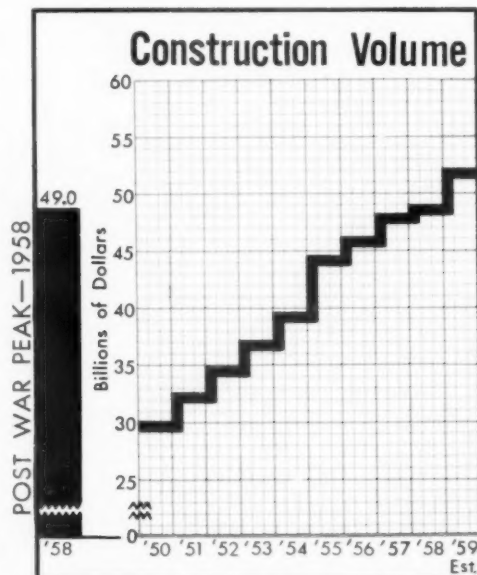
## DWELLING UNITS

In 1958 we built 1,197,700 nonfarm dwelling units in the United States. Of the total private starts, 295,400 came under FHA inspection and 102,300 came under VA. A reduction in Government-assisted starts in the next few months is indicated by the downward trend of FHA applications and VA appraisal requests. The large volume of housing begun in the second half of 1958 pushed the year's total 15% above 1957. Private housing in 1958 totaled 1,130,600 units, or 14% more than 1957. It seems probable that 1959 will show a slight increase in private construction from the 1958 figures with public housing continuing at about the same level.



## CONSTRUCTION VOLUME

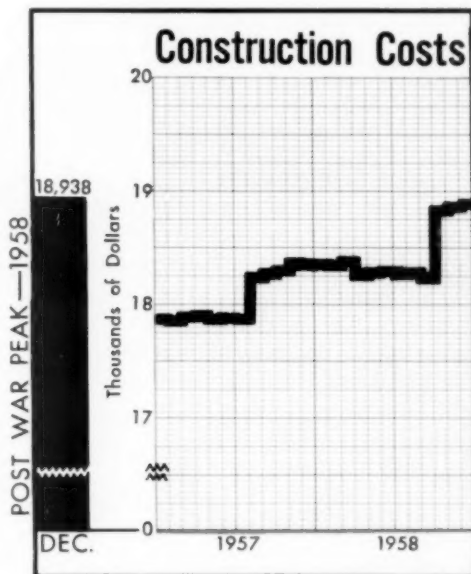
The dollar volume of all types of construction reached \$49.0 billion in 1958 setting an all-time high. New construction expenditures for 1959 are expected to rise \$3.3 billion or 7% above the 1958 record. Four-fifths of the 1959 increase will be in private and public residential building and highways. Public construction will account for the majority of the dollar increase bringing the total public outlay to \$17.1 billion. About one-third of this will go for highway construction alone. Total private construction is expected to exceed the 1958 level by \$1.4 billion. Private nonfarm residential construction will increase \$1.8 billion but all other private construction is expected to decline about \$400 million.



## CONSTRUCTION COSTS

The chart to the right shows the changes in the construction costs of a standard six-room frame dwelling from January 1957 to the present. With relatively few exceptions, the cost of building a house has gone up consistently for the past 25 years. The month-by-month fluctuations for the past 2 years are shown by this chart.

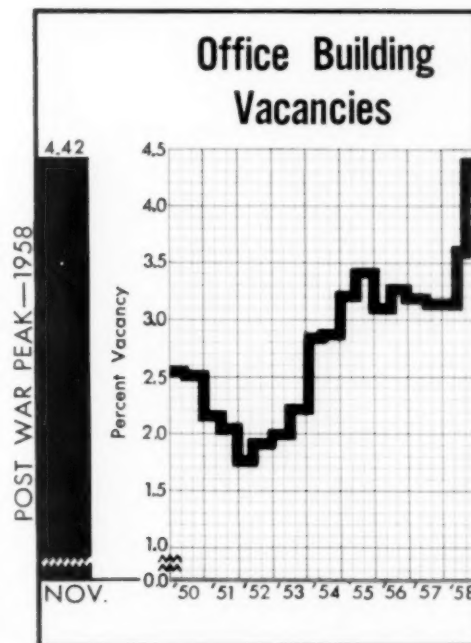
After several months of relative stability, construction costs increased rapidly the second half of 1958. The recent rise, for the most part, can be traced to increases in labor costs. It seems probable that both building material and labor costs will continue upward in 1959.



## OFFICE BUILDING VACANCIES

The chart opposite shows office building vacancy in the United States from 1950 to the present. Even with the large amount of office building construction that has taken place in the last few years, office building vacancy is still less than a third of its level in 1925.

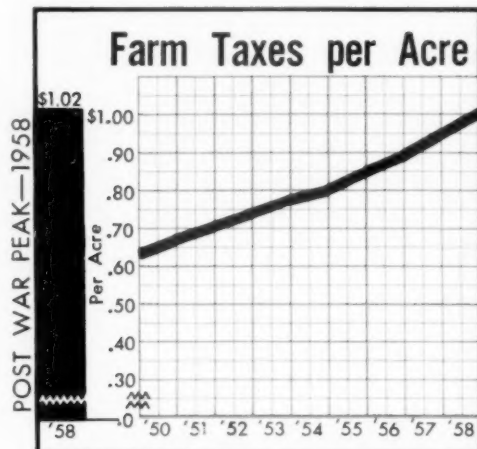
The office building vacancy rate of 3.16% in October 1957 increased to 3.64% in May 1958 and 4.42% in October. The rise has not acted as a depressant on space rates. The average rate per square foot of rentable area is continuing to increase.





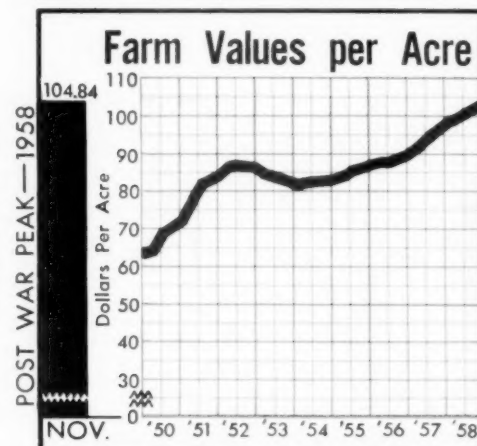
## FARM TAXES PER ACRE

Every year since 1943 there has been an increase in farm taxes per acre. Between 1943 and 1949 the annual rate of increase averaged 9.7% per acre. Between 1949 and 1958 the rise amounted to an annual average of 5.0%. With county and State revenue demands becoming heavier, there is little chance for a reduction in taxes in the near future. The best we can hope for is a slowing in the rate of increase.



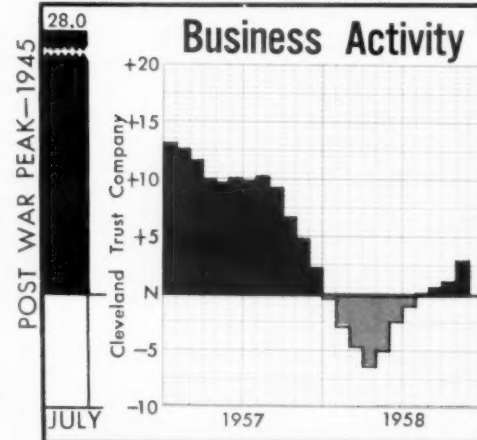
## FARM VALUES PER ACRE

Farm values per acre, including the value of buildings, have reached an all-time high. Some of the factors contributing to the rise are inflationary pressures, Government programs, demand for land for nonagricultural uses and the reductions in farm unit costs made possible by enlargement of existing operating units. The trend toward larger farm units and higher prices paid per acre can be expected to continue in 1959.



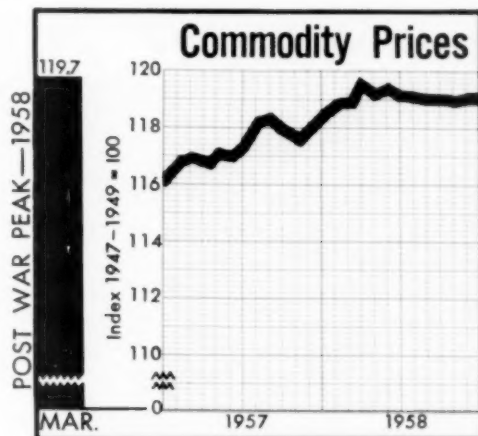
## BUSINESS ACTIVITY

In August 1958 business activity rose above the normal line for the first time in 7 months. The continuance of this rise depends heavily on business spending for new plant and equipment in 1959. If, after the first quarter, capital expenditures continue at the planned rate of \$30.5 billion, we should experience a gradual increase in the economy.



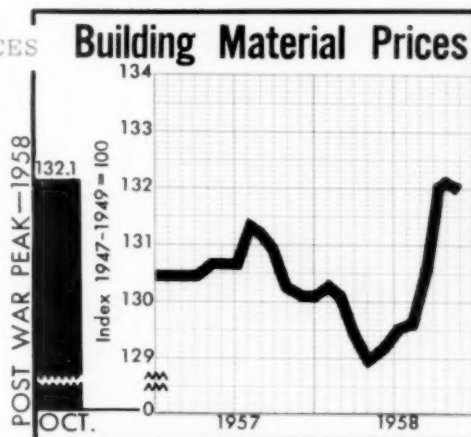
### WHOLESALE COMMODITY PRICES

In the first half of 1958 wholesale commodity prices registered a slight upturn and leveled in the remaining 6 months. With pressures mounting for wage increases in 1959, it is probable that commodity prices will show some tendency to rise. Counterinflationary measures taken by the Federal Reserve have helped to stem the tide of rising prices and a price rise in 1959 beyond 2 points is unlikely.



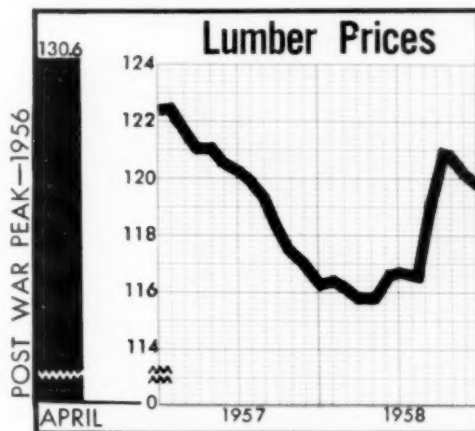
### WHOLESALE BUILDING MATERIAL PRICES

The chart at the right shows monthly variations in building material prices from 1957 to the present. The rise from April was regular until November. In November a slight dip was registered but does not indicate the beginning of a downward trend. It is probable that wholesale building material prices in 1959 will show further gains.



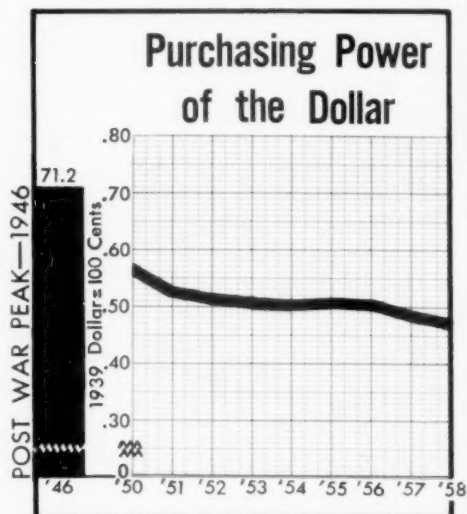
### WHOLESALE LUMBER PRICES

During 1957, wholesale lumber prices were dropping consistently. An upturn started in May 1958, and continued through September. In the fall of last year some lumber producers curtailed their production to prevent prices from declining. Though this action may have had some effect, the index dipped more than 1 point from September to December. Lumber producers are looking for prices to show strength as a result of optimism over 1959 construction prospects. It is likely the anticipated rise will be realized.

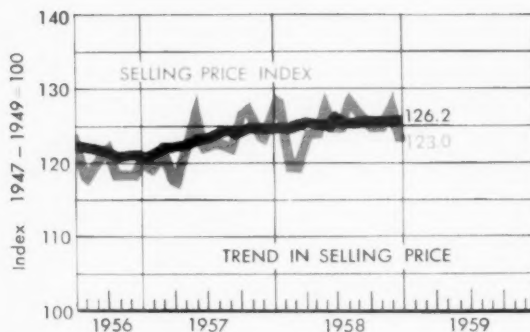
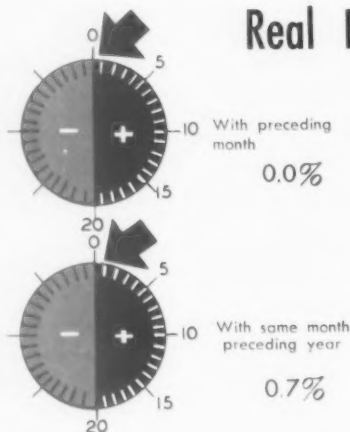


## PURCHASING POWER OF THE DOLLAR

Since 1939 the dollar has been eroding steadily except for 2 years. In 1949 its purchasing power increased a little more than 1/2 cent in value. Again, in 1955, its value rose but this time only 1/10th of a cent. On the whole these increases are insignificant when the net loss in purchasing power adds up to 51.9 cents. If the 1939 dollar is taken to equal 100 cents, the dollar today is worth only 48.1 cents.



## Real Estate Selling Price Comparisons



DATE	TREND IN SELLING PRICE	PROBABLE SELLING PRICE OF A HOUSE THAT SOLD FOR \$12,000 IN 1947-49 PERIOD	DATE	TREND IN SELLING PRICE	PROBABLE SELLING PRICE OF A HOUSE THAT SOLD FOR \$12,000 IN 1947-49 PERIOD
1947-49	100.0	\$12,000	Jan. '58	125.5	\$15,060
1913	40.1	4,812	Mar. '58	126.1	15,130
1918	34.1	4,092	June '58	126.6	15,190
Mar. '29	73.9	8,868	Sept. '58	126.2	15,145
May '32	34.8	4,176	Oct. '58	126.2	15,145
Apr. '34	44.8	5,376	Nov. '58	126.2	15,145
July '37	40.1	4,812	Dec. '58	126.2*	15,145*
Apr. '38	42.8	5,136			
Mar. '41	40.1	4,812			
Oct. '48	104.5	12,540			
Oct. '53	119.7	14,360			
Oct. '54	122.3	14,680			
Oct. '55	125.1	15,010			
Oct. '56	121.9	14,630			
Oct. '57	125.3	15,040			

\*Preliminary.



